MINUTES  
SPECIAL MEETING OF THE NEWTON CITY COUNCIL  
July 22, 2019 – 7 p.m.

The regular meeting of the Newton City Council was held at 10:00 a.m. Monday July 22, 2019 at Newton City Hall.

PRESENT:  Mayor Anne P. Jordan, Mayor Pro Tem John Stiver and Council Members Jerry Hodge, Anne Wepner, Jody Dixon, Tom Rowe and Ed Sain

STAFF:  City Manager Todd Clark, City Clerk Amy S. Falowski, City Attorney John Cilley, City Department Heads and members of the management team

ITEM 1:  CALL TO ORDER

Mayor Anne P. Jordan welcomed everyone and called the meeting to order.

ITEM 2:  Consideration to Adopt a Budget Ordinance to Amend Capital Project Funds and to Amend Revenues and Expenditures for Fiscal Year 2019-2020

City Manager Todd Clark stated that the reason for this special called meeting is the need to proceed with financing for Valley Drive Water Line and Phase 2 of Streetscape. Mr. Clark explained that the city needs to stick with the schedule for bank bids in accordance with the Local Government Commission’s schedule, and this meeting is necessary due to the fact that the city only has one scheduled meeting for each of the months of July and August.

Finance Director Vickie Thomas stated that the City of Newton periodically establishes capital project ordinances for endeavors that involve infrastructure/construction activities. In most cases, the duration of an infrastructure/construction project will extend from one fiscal year into another. Consequently, the adoption of a capital project ordinance allows the governmental entity to appropriate funds for the life of the project without the governing board having to reallocate funding on a fiscal year basis.

Ms. Thomas stated that The Downtown Streetscape Phase 2 Capital Project was approved and appropriated within the operating budget as part of the Fiscal Year 2019-2020 Budget in the amount of $1,607,250. For capital projects, the City includes the planned expenditures in the operating budget for transparency purposes, but then removes them from the operating budget at the beginning of the fiscal year since they are already authorized in a project ordinance.

Ms. Thomas explained that the original capital project budget for all four phases of Streetscape was adopted by City Council on January 23, 2018, at which time the estimate of probable cost for Phase 1 totaled $4,266,550. The capital project budget has been amended several times since January of 2018 in order to reflect the estimate of probable cost for all phases of Streetscape. The last budget amendment was adopted by City Council on October 2, 2018. At that time, the budget for all phases was estimated at $13,565,450.

Ms. Thomas stated that Phase 1 of this project is now complete and the City’s contractor is expected to produce a final invoice (i.e. “pay application requests”) prior to final close out. Consequently, the city does not have a final cost on Phase 1.

Ms. Thomas explained that the city has continued to work with McGill & Associates to complete plans and specifications for Phase 2 which includes A Street between Main Avenue and College Avenue, which also includes improvements to Yount Park. The City has gone out for bids on Phase 2 and the total estimated cost including engineering, construction, project administration and oversight is $1,907,543. The amount originally included in the Streetscape Capital Project Fund for Phase 2 was $2,784,763 so no increase in the capital project authorization is needed.

Ms. Thomas stated that the next step in moving Phase 2 to construction is for City Council to authorize the staff to solicit bank bids and prepare an application to the Local Government Commission for financing. As part of the review process, the staff has recognized an appreciable savings that has compounded over a period of time in the City’s Health Plan. Based on discussions with our insurance consultant, the balance in this fund is significantly higher than would be expected with a plan of our size. The Health Plan Fund Balance is intended to ensure that revenues will cover expenses over time.
It also provides for potential future catastrophic losses. Ms. Thomas stated that based on the current stop loss limits in place for the City’s plan and the potential cost of run-out claims in the event the City becomes fully-insured, Staff estimates that the Fund Balance needed in the Health Plan is $575,000. Due to the wellness initiatives implemented by the City, health claims growth has stabilized, and the Health Plan Fund Balance has grown to $1,375,000. As a result, Staff proposes transferring the $800,000 excess back to the respective funds which were charged. Ms. Thomas recommended that any excess Fund Balance be used for non-recurring costs such as capital expenditures, and not to fund recurring annual operating expenses. This budget ordinance amendment incorporates that transfer and use of the excess Health Plan Fund Balance for planned capital expenditures.

Council Member Jerry Hodge asked if this would have a negative impact on the health fund or any other funds. Mr. Clark stated that it will not, and that the health fund is very healthy.

Upon motion duly made by Council Member Jody Dixon, seconded by Mayor Pro Tem John Stiver, it was unanimously RESOLVED:

That Budget Ordinance to Amend the Capital Project Funds for Downtown Streetscape Project and to Amend the Capital Project Funds for the Downtown Streetscape Project be – ADOPTED.

Upon motion duly made by Council Member Jerry Hodge, seconded by Council Member Anne Wepner, it was unanimously RESOLVED:

That Resolution for Financing be – ADOPTED.

(Ordinances, Resolutions and Proclamations are hereby referenced and on file in the Office of the City Clerk)

ITEM 3: Consideration of Resolutions Related to Debt Financing

a. Approval to Proceed with Capital Projects and to Submit LGC Application  
b. Call for Public Hearing on September 3, 2019

Finance Director Vickie Thomas stated that the City of Newton wishes to finance the acquisition of certain infrastructure improvements, more specifically the Downtown Streetscape Project, Phase 2 and the Valley Drive Water Line Rehabilitation Project.

Ms. Thomas explained that the estimated cost of the infrastructure improvements is $1,460,000 ($550,700 for the General Fund, $700,000 for the Water/Wastewater Fund, and $209,300 for the Electric Fund). The estimated cost by project is as follows:

Downtown Streetscape – Phase 2 Project is $760,000  
Valley Drive Water Rehabilitation Project is $700,000

Ms. Thomas stated that the Finance Department will be soliciting quotes from various financial institutions to borrow $1,460,000. We will provide a recommendation to City Council on awarding the financing on September 3, 2019, and will also call for a public hearing on this same date.

Upon motion duly made by Council Member Jody Dixon, seconded by Council Member Ed Sain, it was unanimously RESOLVED:

That Resolution Authorizing the City Manager and Finance Director to act on behalf of the City and to Authorize the Filing of an Application with the North Carolina Local Government Commission be – ADOPTED.
Upon motion duly made by Council Member Jody Dixon, seconded by Council Member Ed Sain, it was unanimously RESOLVED:

That Resolution Calling for a Public Hearing on September 3, 2019 be – ADOPTED.

(Ordinances, Resolutions and Proclamations are hereby referenced and on file in the Office of the City Clerk)

ITEM 4:  **Adjournment**

Upon motion duly made by Council Member Jody Dixon, seconded by Council Member Jerry Hodge, it was unanimously RESOLVED:

That the Meeting be – ADJOURNED

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Anne P. Jordan, Mayor

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Amy S. Falowski, City Clerk